

VAN BUREN DISTRICT LIBRARY

Report on Audit of Financial Statements  
For the Year Ended  
December 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Van Buren District Library	County Van Buren
Audit Date 12-31-05	Opinion Date 1-19-06	Date Accountant Report Submitted to State: July 28, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name)

Cutting & Cutting, P.C.

Street Address

303 Paw Paw Street

City

Paw Paw

State

MI

ZIP

49079

Accountant Signature

William A. Cutting

Date

7-28-06

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January 19, 2006

INDEPENDENT AUDITOR'S REPORT

To the Van Buren District Library Board  
Decatur, Michigan

We have audited the accompanying financial statements of Van Buren District Library as of December 31, 2005, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Van Buren District Library, as of December 31, 2005, or the changes in its financial position for the year then ended.

*Cutting & Cutting, P.C.*

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS-CASH BASIS  
VAN BUREN DISTRICT LIBRARY  
December 31, 2005

Assets	General Fund	Special Revenue Funds	Capital Projects Fund	General Long Term Debt	Total (Memorandum Only)
Cash and equivalents	\$ 316,282	\$ 63,037	\$ 111,469		\$ 490,788
Investments	300,000	209,381			509,381
Property taxes receivable	946,741				946,741
Amount to be provided for retirement of general long-term debt	<u>1,563,023</u>	<u>272,418</u>		\$ 160,207	<u>160,207</u>
	\$ 1,563,023	\$ 272,418	\$ 111,469	\$ 160,207	\$ 2,107,117
Liabilities and Fund Balance					
Payroll deductions	\$ 1,269				\$ 1,269
Deferred revenue	946,741				946,741
Compensated absences				\$ 160,207	<u>160,207</u>
Total liabilities	948,010			160,207	1,108,217
Fund balance	<u>615,013</u>	\$ 272,418	\$ 111,469		<u>998,900</u>
	\$ 1,563,023	\$ 272,418	\$ 111,469	\$ 160,207	\$ 2,107,117

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES-ALL GOVERNMENTAL FUND TYPES-CASH BASIS  
VAN BUREN DISTRICT LIBRARY  
Year ended December 31, 2005

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	Total (Memorandum Only)
Revenues				
Taxes	\$ 1,140,549			\$ 1,140,549
Intergovernmental	38,005			38,005
Charges for services	29,354			29,354
Penal fines	215,684			215,684
Interest	17,667	\$ 7,447	\$ 945	26,059
Webster Trust	88,157			88,157
Reimbursements	11,674			11,674
Miscellaneous	<u>6,540</u>	<u>3,096</u>		<u>9,636</u>
	1,547,630	10,543	945	1,559,118
Expenditures				
Salaries, wage and employee benefits	906,382			906,382
Supplies	26,755			26,755
Legal, professional and contracted services	49,937			49,937
Utilities	63,022			63,022
Maintenance	43,164			43,164
Books, magazines and periodicals	158,332			158,332
Audio-visual	29,184			29,184
Capital outlay	49,130			49,130
Miscellaneous	<u>38,131</u>			<u>38,131</u>
	1,364,037			1,364,037
Excess of revenues over expenditures	183,593	10,543	945	195,081
Other financing sources and uses				
Transfers in	7,075		4,000	11,075
Transfers out	<u>(4,000)</u>	<u>(7,075)</u>		<u>(11,075)</u>
	3,075	(7,075)	4,000	- 0 -
Excess of revenues and other sources over expenditures and other uses	186,668	3,468	4,945	195,081
Beginning fund balance	<u>428,345</u>	<u>268,950</u>	<u>106,524</u>	<u>803,819</u>
Ending fund balance	\$ <u>615,013</u>	\$ <u>272,418</u>	\$ <u>111,469</u>	\$ <u>998,900</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-  
GENERAL AND SPECIAL REVENUE FUND TYPES-CASH BASIS  
VAN BUREN DISTRICT LIBRARY  
Year ended December 31, 2005

	<u>General Fund</u>		<u>Special Revenue Funds</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Amended Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
Revenues					
Taxes	\$ 1,045,090	\$ 1,140,549			\$ 95,459
Intergovernmental	38,000	38,005			5
Charges for services	28,500	29,354			854
Penal fines	192,000	215,684			23,684
Interest	11,000	17,667			6,667
Webster Trust	88,000	88,157			157
Reimbursements	9,500	11,674	\$ 2,900	\$ 7,447	\$ 4,547
Miscellaneous	6,000	6,540			540
	<u>1,418,090</u>	<u>1,547,630</u>	<u>2,000</u>	<u>3,096</u>	<u>1,096</u>
Expenditures			<u>4,900</u>	<u>10,543</u>	<u>5,643</u>
Salaries, wages and employee benefits	917,170	906,382			10,788
Supplies	34,600	26,755			7,845
Legal, professional and contracted services	53,500	49,937			3,563
Utilities	67,500	63,022			4,478
Maintenance	46,000	43,164			2,836
Books, magazines and periodicals	162,500	158,332			4,168
Audio-visual	30,000	29,184			816
Capital outlay	50,000	49,130			870
Miscellaneous	56,820	38,131			18,689
	<u>1,418,090</u>	<u>1,364,037</u>			<u>54,053</u>
Excess of revenues over expenditures					
Other financing sources (uses)		183,593	4,900	10,543	5,643
Operating transfers in	4,000	7,075			
Operating transfers out	(4,000)	(4,000)	(2,700)	(7,075)	(4,375)
	<u>- 0 -</u>	<u>3,075</u>	<u>2,700</u>	<u>(7,075)</u>	<u>4,375</u>
Excess of revenues and other sources over expenditures and other uses					
	\$ - 0 -	186,668	\$ 2,200	3,468	\$ 1,268
Beginning fund balance		428,345		268,950	
Ending fund balance		<u>\$ 615,013</u>		<u>\$ 272,418</u>	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
VAN BUREN DISTRICT LIBRARY  
December 31, 2005

Summary of significant accounting policies

The accompanying financial statements and budget information has been prepared using the cash basis of accounting.

A. Reporting Entity

The Library's financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability.

B. Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Fund - The Capital Project Fund accounts for other revenues to be used for authorized expenditures.

Long-Term Debt Group of Accounts - The purpose of this group of accounts is to record the total long-term debt of the Library.

The electors in the area served voted on April 30, 1991 to become a district library and to levy 1 mill for operations. The District Library serves all of Van Buren County except for the areas served by the Hartford, Lawton, Paw Paw and South Haven Libraries.

C. Deposits and Equivalents

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of deposit with a maturity over three months are considered investments.



The Library's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Book Carrying Amount</u>	<u>Bank Deposit Amount</u>
Insured	\$ 400,000	\$ 400,000
Uninsured and uncollateralized	<u>600,169</u>	<u>620,036</u>
Total deposits	\$ <u>1,000,169</u>	\$ <u>1,020,036</u>

Custodial credit risk is the risk that in the event of a bank failure, the library's deposits may not be returned to it. The library does not have a deposit policy for custodial credit risk. At year end, the library had \$620,036 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

The Library was given a mutual fund, value at date of gift was \$5,562. Cost value at December 31, 2005, with reinvested dividends: \$9,381. This investment is not insured and had a market value at December 31, 2005 of \$7,846.

D. Compensated Absences

Vacation leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Library will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected in the future to receive such payments. Such accumulations are reduced to the maximum amount allowed as a termination payment.

The liability for both vacation and sick leave include an accrual for the Library's share of social security and medicare taxes that would be due when the leave benefits are paid.

The compensated absence liability has been recorded in the general long-term debt account group.

E. Retirement Commitments

The Library has a pension plan covering all employees regularly scheduled to work 30 hours or more per week. The plan is non-contributory and the Library contributed 9.42% of compensation for eligible participants in 2004 and 2005. Employees are vested after ten years service. The pension expense amounted to \$40,950 for the year ended December 31, 2005. The total payroll for the year was \$743,765 of which \$430,618 was covered by the pension plan.

F. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1 and are due on February 14. Taxes levied by the District are collected by various municipalities and periodically remitted to the District. The 2005 levy is .9032 mill.

H. Budgets

Budgets are adopted on the cash basis and are amended from time to time.

I. Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. Commercial insurance has been purchased to protect the Library.

J. Change in Reporting Format

GASB 34 requires certain governmental units to change their reporting format to allow for recognition of physical assets, depreciation expense and certain other items. The Library has not adopted this format.

COMBINING BALANCE SHEET-CASH BASIS  
SPECIAL REVENUE FUNDS  
VAN BUREN DISTRICT LIBRARY  
December 31, 2005

	<u>Penal Fine Stabilization</u>	<u>Endowment</u>	Total (Memorandum Only)
<b>Assets</b>			
Cash and equivalents		\$ 63,037	\$ 63,037
Investments (at cost)	\$ <u>200,000</u>	<u>9,381</u>	<u>209,381</u>
	\$ <u>200,000</u>	\$ <u>72,418</u>	\$ <u>272,418</u>
<b>Liabilities and Fund Balance</b>			
Fund balance	\$ <u>200,000</u>	\$ <u>72,418</u>	\$ <u>272,418</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-CASH BASIS-SPECIAL REVENUE FUNDS  
Year ended December 31, 2005

<b>Revenues</b>			
Interest	\$ 6,427	\$ 1,020	\$ 7,447
Dividends		112	112
Contributions	<u>        </u>	<u>2,984</u>	<u>2,984</u>
	6,427	4,116	10,543
<b>Expenditures</b>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess of revenues over expenditures	6,427	4,116	10,543
Transfer to other funds	<u>(6,427)</u>	<u>(648)</u>	<u>(7,075)</u>
Excess of revenues and other sources over expenditures and other uses	- 0 -	3,468	3,468
Beginning fund balance	<u>200,000</u>	<u>68,950</u>	<u>268,950</u>
Ending fund balance	\$ <u>200,000</u>	\$ <u>72,418</u>	\$ <u>272,418</u>

COMBINING BALANCE SHEET-CASH BASIS  
CAPITAL PROJECTS FUNDS  
VAN BUREN DISTRICT LIBRARY  
December 31, 2005

	<u>Automation</u>	<u>Vehicle Replacement</u>	Total (Memorandum Only)
Assets			
Cash and equivalents	\$ <u>81,113</u>	\$ <u>30,356</u>	\$ <u>111,469</u>
Liabilities and Fund Balance			
Fund balance	\$ <u>81,113</u>	\$ <u>30,356</u>	\$ <u>111,469</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES-CASH BASIS-CAPITAL PROJECTS FUNDS  
Year ended December 31, 2005

Revenues			
Interest	\$ 801	\$ 144	\$ 945
Expenditures	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess of revenues over expenditures	801	144	945
Transfer from General Fund	<u>2,000</u>	<u>2,000</u>	<u>4,000</u>
Excess of revenues and other financing sources over expenditures and other uses	2,801	2,144	4,945
Beginning fund balance	<u>78,312</u>	<u>28,212</u>	<u>106,524</u>
Ending fund balance	\$ <u>81,113</u>	\$ <u>30,356</u>	\$ <u>111,469</u>

BALANCE SHEET-CASH BASIS  
GENERAL FUND  
VAN BUREN DISTRICT LIBRARY  
December 31

	<u>2005</u>	<u>2004</u>
Assets		
Cash and equivalents	\$ 316,282	\$ 428,910
Investments	300,000	
Property taxes receivable	<u>946,741</u>	<u>1,110,131</u>
Total assets	\$ <u>1,563,023</u>	\$ <u>1,539,041</u>
Liabilities and Fund Balance		
Payroll deductions-insurance	\$ 1,269	\$ 565
Deferred revenue	<u>946,741</u>	<u>1,110,131</u>
Total liabilities	948,010	1,110,696
Fund balance	<u>615,013</u>	<u>428,345</u>
	\$ <u>1,563,023</u>	\$ <u>1,539,041</u>

STATEMENT OF CHANGES IN FUND BALANCE-CASH BASIS  
Year ended December 31

	<u>2005</u>	<u>2004</u>
Revenues	\$ 1,547,630	\$ 1,368,298
Expenditures	<u>1,364,037</u>	<u>1,398,123</u>
Excess of revenues over expenditures	183,593	(29,825)
Other financing sources and uses		
Transfers from other funds	7,075	2,865
Transfers to other funds	<u>(4,000)</u>	<u>(4,000)</u>
	<u>3,075</u>	<u>(1,135)</u>
Excess of revenues and other sources over expenditures and other uses	186,668	(30,960)
Beginning fund balance	<u>428,345</u>	<u>459,305</u>
Ending fund balance	\$ <u>615,013</u>	\$ <u>428,345</u>

STATEMENT OF REVENUES-BUDGET AND ACTUAL-CASH BASIS  
GENERAL FUND  
VAN BUREN DISTRICT LIBRARY  
Year ended December 31

	<u>2005</u>			<u>2004</u>
	<u>Amended Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	
Property tax	\$ 1,045,090	\$ 1,140,549	\$ 95,459	\$ 992,234
State aid	38,000	38,005	5	38,137
Charges for services	28,500	29,354	854	29,645
Penal fines	192,000	215,684	23,684	192,162
Interest	11,000	17,667	6,667	5,105
Webster Trust	88,000	88,157	157	80,722
Memorial gifts	2,000	910	(1,090)	3,459
Reimbursements	9,500	11,674	2,174	10,244
Miscellaneous	<u>4,000</u>	<u>5,630</u>	<u>1,630</u>	<u>16,590</u>
	\$ <u>1,418,090</u>	\$ <u>1,547,630</u>	\$ <u>129,540</u>	\$ <u>1,368,298</u>

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL-CASH BASIS  
GENERAL FUND  
VAN BUREN DISTRICT LIBRARY  
Year ended December 31

		<u>2005</u>		
	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2004</u>
Salaries and wages	\$ 736,570	\$ 730,644	\$ 5,926	\$ 709,209
Payroll taxes	57,000	56,898	102	55,128
Employee benefits	80,600	77,890	2,710	65,330
Pension and deferred compensation	43,000	40,950	2,050	38,042
Office supplies	30,000	22,496	7,504	23,249
Operating supplies	4,600	4,259	341	2,729
Legal and professional	12,000	9,784	2,216	12,613
Contracted services- cooperative	19,500	19,441	59	19,475
Utilities	67,500	63,022	4,478	50,328
Travel	6,000	4,199	1,801	3,178
Promotional	12,000	9,129	2,871	10,528
Contracted janitor services	22,000	20,712	1,288	19,324
Insurance	12,000	10,544	1,456	10,073
Maintenance	46,000	43,164	2,836	37,356
Capital outlay	50,000	49,130	870	175,653
Books	147,000	143,967	3,033	122,605
Magazines and periodicals	15,500	14,365	1,135	13,060
Audio-visual	30,000	29,184	816	23,842
Internet fees	9,500	9,067	433	3,002
Miscellaneous	6,800	5,192	1,608	3,399
Contingency	<u>10,520</u>	<u>          </u>	<u>10,520</u>	<u>          </u>
	\$ <u>1,418,090</u>	\$ <u>1,364,037</u>	\$ <u>54,053</u>	\$ <u>1,398,123</u>

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BRUCE T. CUTTING

TELEPHONE  
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January 19, 2006

Van Buren District Library  
200 North Phelps Street  
Decatur, Michigan

The audit work necessary to express an opinion on the financial statements of Van Buren District Library included a review of the Library's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

The above comments are submitted to you to develop good accounting practices and are not intended to reflect upon the performance of any library employee.

*Cutting & Cutting, P.C.*